

## Message Text

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PAGE 01 LUSAKA 01088 301612Z

ACTION AF-10

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E.O. 11652: N/A

TAGS: EFIN EGEN ZA

SUBJ: CODEL DIGGS MEETING WITH MINISTRY OF FINANCE

SUMMARY: AT A MEETING WITH CODEL DIGGS, PERMANENT SECRETARY IN GRZ MINISTRY OF FINANCE, DISCUSSED ZAMBIA'S AGREEMENT IN PRINCIPLE WITH THE IMF FOR STANDBY ASSISTANCE. THE PERMANENT SECRETARY STATED THAT EVEN WITH IMF ASSISTANCE, GRZ WOULD DEPEND HEAVILY ON BI-LATERAL AID. THE GOVERNMENT HAS NOW AGREED TO A CONSULTATIVE GROUP MEETING OF BI-LATERAL DONORS, CHAIRED BY THE WORLD BANK. END SUMMARY

1. CODEL DIGGS AND PARTY MET WITH PERMANENT SECRETARY OF THE ZAMBIAN MINISTRY OF FINANCE, MR. FRANCIS WALUSIKU ON MARCH 27, TO DISCUSS STATE OF ZAMBIA'S ECONOMY. WALUSIKU WENT THROUGH THE LITANY OF ZAMBIA'S PROBLEMS AND PROSPECTS CONCENTRATING ON THE DEPRESSED STATE OF THE COPPER INDUSTRY AND ZAMBIAN ATTEMPTS TO DIVERSIFY HER ECONOMY. THE PERMANENT SECRETARY SAID THAT ZAMBIA EXPECTED THE BOARD OF GOVERNORS OF THE IMF TO APPROVE THE AGREEMENT IN PRINCIPLE REACHED BY THE GRZ AND IMF

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PAGE 02 LUSAKA 01088 301612Z

TECHNICAL TEAM. THE MOST DIFFICULT CONDITION SET BY THE IMF WAS THE 10 PERCENT DEVALUATION OF THE KWACHA. DEVALUATION WAS AIMED SPECIFICALLY AT IMPROVING THE KWACHA LIQUIDITY POSITION OF THE MINING COMPANIES. IN ORDER TO MINIMIZE THE IMPACT ON EXPATRIATES AND COMMERCIAL SUPPLIERS, THE BANK OF ZAMBIA WILL ABSORB THE 10 PERCENT DEVALUATION FOR REMITTANCES AND COMMERCIAL PAYMENTS ARREARS. THIS WOULD COST

THE GOVERNMENT APPROXIMATELY 35 MILLION KWACHA.

2. MR. WALUSIKU SAID ZAMBIA WOULD DEPEND HEAVILY ON BI-LATERAL ASSISTANCE EVEN WITH AN IMF AGREEMENT AND SAID ZAMBIA WOULD BE ASKING FOR CONTINUED ASSISTANCE FROM THE UNITED STATES AT PRESENT LEVELS. CONGRESSMAN DIGGS SUGGESTED THAT ZAMBIA DEVELOP SHELF PROJECTS AND SUBMIT THESE TO THE USG FOR FINANCING AND TECHNICAL ASSISTANCE. THE CONGRESSMAN SAID THAT SUCH PROPOSALS SHOULD BE SUBMITTED BY APRIL AND THE PERMANENT SECRETARY AGREED TO TRY AND DO SO.

COMMENT: IT IS UNLIKELY THAT THE GRZ WILL COME UP WITH SPECIFIC PROPOSALS BEFORE THE THIRD NATIONAL DEVELOPMENT PLAN IS APPROVED. THAT PLAN IS NOT EXPECTED TO BE COMPLETED BEFORE JULY 1978.

3. THE PERMANENT SECRETARY MENTIONED THAT ZAMBIA HAD AGREED TO A CONSULTATIVE GROUP MEETING OF BI-LATERAL DONORS, CHAIRED BY THE WORLD BANK.

COMMENT: THIS INDICATES A CHANGE OF HEART BY THE GOVERNMENT WHICH HAD RESISTED ANY EFFORTS AT BI-LATERAL DONOR COORDINATION IN ZAMBIA. THE MOVE WOULD BE WELCOMED BY MOST DONORS TO AVOID DUPLICATION OF EFFORTS.

LOW

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## Message Attributes

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**TAGS:** EFIN, EGEN, ZA, IMF, (DIGGS, CHARLES C)  
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